

HOW TO... Use online VAT services

Filling in your VAT return no longer means spending days surrounded by calculators and sums. Janet Swift shows you how everything adds up when you do it online

Completing tax returns is often considered a chore by sole traders and small businesses, but recent changes have been designed to ease the burden. Being able to submit your VAT return online saves the cost of postage and eliminates any possible errors in calculating the amount of VAT due to be paid.

If you provide your email address when you register for VAT online services, you can opt to receive an email to remind you to do it. At the moment, HM Customs and Excise still send paper returns to those who have signed up for the online system, but it's important that you do not use both methods; if you submit an online return, don't send in the paper form as well.

Flat-rate VAT is another option worth considering if you qualify. Currently, it is available to those with an annual turnover not exceeding £150,000 excluding VAT. It not only simplifies VAT accounting but could also save you money. Look at Steps 11 and 12 to decide if you would be better off switching to this scheme.

1 The HM Revenue & Customs website (www.hmrc.gov.uk) is one of the innovations that makes coping with VAT easier. Click on the VAT Online Services in the green 'do it online' panel on the left-hand side of the welcome page.

2 This takes you to the Online Services Login screen, which asks for your username and

password. The username in this case is a string of 12 digits and upper-case letters. If you don't already have one, you need to click the 'Obtain a Government Gateway Account' link to sign up.

3 To obtain a Government Gateway Account for this service, all you have to provide is your name and a password of between eight and 12 characters, including at least one digit. Once you click Next you will be given a username, which you need to keep.

You can now fill in the Username and Password fields and click on Submit on the Step 2 screen. As a new user you are taken to the Welcome to Online Services screen where you either provide an email address or select 'Do not send emails'. Finally, tick the box to confirm you accept the terms and conditions. Clicking Continue takes you to the Online Services main menu, where clicking on the VAT Online link accesses a screen with two choices.

4 If you are not already registered for VAT, using the online forms is quicker than the alternative of filling in paper forms and is more reliable as there are built-in validation checks to eliminate mistakes. Clicking on the 'Register for VAT' link accesses the VAT Online Registration Process. Its Welcome screen clearly shows the stages of the process and has links to information including a list of the documents you'll need while completing the form. It is not,

however, an instant procedure, and you will need to wait for your VAT Registration documents and VAT number to be posted to you.

5 If you are already registered for VAT but are a new user of the online service, click the 'Enrol for this service' link in the Manage your VAT section on the VAT Online page. This takes you to a form that requires three items of information you'll find on your Certification of Registration: your VAT number, the postcode of your main business address and your date of registration. It also requires two items that relate to your most recently completed VAT return: the last month of the period it covered and the amount of Net VAT due. Clicking Submit will enable you to become a user of the Online VAT services.

6 From the Manage Your VAT screen, you can amend your VAT details if information such as your address or bank details changes. The screen also has links to the most recent VAT Notes that are normally sent out with the paper VAT 100 return. Here we are concerned with filing a VAT return, so click 'Make a VAT Return'. The Submit a VAT Return page has important information you should read before proceeding. Remember that when you use this service you have to pay any VAT due electronically, for example, using internet banking or by arranging a BACS or CHAPS bank transfer.

7 The next thing you will need are the figures to be filled in on the form, although when it comes to filling in the online form you no longer need to worry about the amounts for Total VAT due or Net VAT to pay as these are calculated for you.

The report here was produced by QuickBooks and then exported to an Excel spreadsheet in order to be able to use the copy and paste functions to transfer the values to the form. The amounts for Total net value of sales (Box 6) and Total net value of purchases (Box 7) have to be entered to the nearest pound, and here we have used a formula to truncate the value in cell D9. That is, =TRUNC(D9,0) has been entered in E9 and copied to E10 to perform the same operation on the value in D10.

8 Once you're ready to make an online VAT return, click Next on the Submit a VAT Return page. This brings up a page of terms and conditions that you need to accept. Clicking Next here accesses the Available periods page. Normally only one is available, and if you visit the site at a point within a VAT period rather than in the month allowed for submitting a return, the list will be empty. Click on the radio button next to the period for which you wish to submit a return and then click Next.

9 The online form that appears looks very much like the paper form, even down to its colour. The top of the form shows your company name, VAT registration number and the period for which the declaration is being made. The main difference is that there are only seven boxes to be completed. Both Box 3 and Box 5 have the message 'Value will be calculated' against them.

You can type directly into the white boxes or use copy and paste if you have the figures available on your PC. The other difference from the paper VAT 100 form is that you do not have to fill in your name or sign it. Once you have completed the form and read the information it contains, press Next.

10 You will now see a full confirmation of both the figures you have supplied and the ones calculated. The amount to pay and the date by which payment has to be made electronically is at the top of the form, and at the bottom you have the choice of whether or not to submit the return. If you want to proceed, click on the radio button next to the statement 'I confirm the data shown above and wish to submit my electronic VAT declaration to HMRC' and then press Next. Otherwise choose 'My data is incorrect. I wish to make changes' or click Cancel.

Finally, wait for an acknowledgement and print this screen using the Print button in your web browser. This is an important step as it serves as your copy for your records. It includes a Unique Reference Number and records the time and date the return was received. It also contains the full breakdown of figures and the due date for electronic payment, which is generally one week later than payment using a cheque.

11 So far we have completed the VAT return declaring both the VAT due on Sales and the VAT reclaimed on purchases. If, however, you join the Flat Rate VAT scheme, you no longer have to work out these figures. Instead, you simply total all the sales your business makes, including the VAT, and apply the appropriate flat rate percentage for your trade sector.

The scheme is intended to reduce the time spent accounting for VAT because you don't have to record the VAT charged on each individual purchase and sale. Its downside is that you cannot reclaim any of the VAT you pay, apart from on large single purchases. But, as it is entirely voluntary, you can decide whether its advantages outweigh its disadvantages before applying to join. In order to determine whether the scheme would be beneficial, you first need to discover the relevant percentage. This information is available at <http://83.138.156.15>. Scroll down the list to find the rate corresponding to the sector that best describes your business. If you can't find a suitable match, there are some catch-all generic categories:

Manufacturing that is not listed elsewhere (8.5%), Retailing (6%), Wholesaling (7%) and Any other activity (10%).

You may be wondering why there is so much variation in the percentage rates. The main reason is that while some trade sectors charge VAT on all the goods and services they supply, others deal in a mix of VAT-chargeable and exempt items. Businesses also differ in the amount of supplies required to provide goods and services, and this is also taken into account when determining the trade sector percentages.

12 A spreadsheet is the obvious tool to use to work out whether switching to this scheme is advantageous; we have some of the figures to hand from Step 7. The all-important figure for calculating the amount to pay in the case of Flat Rate VAT is the VAT inclusive total of sales, and as this isn't declared on the VAT Return form it wasn't calculated in Step 7.

In the case of a business that charges VAT on all the goods and services it supplies, simply multiplying the Total net value of sales by the VAT rate (17.5 per cent) gives the Total gross value of sales. To obtain the amount to pay as Flat Rate VAT, you simply multiply this figure by the trade sector percentage appropriate to your business.

Here we look at four examples to discover the saving made by applying the Flat Rate (calculated in column C by multiplying the Total gross value of sales by the percentage in column B) and then in column D subtracting the 'normal scheme' VAT due shown in cell C2. Clearly the lower the trade sector percentage the more the saving, but even the highest-rated trade sector comes out marginally better in our scenario.

To discover how the scheme would work for real, enter your own figures, checking them for more than one VAT period, and read the most recent version of the notice 'Flat Rate Scheme for small businesses', which is available on the HMRC website. If you decide to go ahead, you can download form VAT 600 FRS and email it to frsapplications@hmce.gov.uk.

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	A	B	C	D	E
1	Figures for VAT (as calculated by Quick Books)				
2	Net VAT				
3	VAT due				
4	VAT due on sales (Box 1)				
5	Total VAT due from EC acquisitions (Box 2)				
6	Total VAT due (Box 3)				
7	VAT reclaimed on purchases (Box 4)				
8	Net VAT to pay (or reclaim if negative) (Box 5)				
9	Total net value of sales (Box 6)				
10	Total net value of purchases (Box 7)				
11	Total net value of supplies to other EC Member States (Box 8)				
12	Total net value of acquisitions from EC Member States (Box 9)				

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Available Periods

VAT Number: 422 5536 70

We suggest that you have your figures ready as the Return is completed on-line.

Choose Period:

Period	Start Date	End Date
☒ 09 06	01 Jul 2006	30 Sep 2006

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1	VAT due in this period on sales and other outputs	£	3,136.32	Value will be calculated
2	VAT due in this period on acquisitions from other EC Member States	£	0.00	
3	Total VAT due (the sum of boxes 1 and 2)	£		Value will be calculated
4	VAT reclaimed in this period on purchases and other inputs (including acquisitions from the EC)	£	456.28	
5	Net VAT to be paid to Customs or reclaimed by you (Difference between boxes 3 and 4)	£		Value will be calculated
6	Total value of sales and all other outputs excluding any VAT. Include your box 8 figure.	£	20,528.00	
7	Total value of purchases and all other inputs excluding any VAT. Include your box 9 figure.	£	3,775.00	

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excluding any VAT, from other EC member states

DECLARATION:
When you send the above information, you are making a legal declaration that the information is true and complete. A false declaration can result in prosecution.

Please select one of the options below and then click next, otherwise click on the cancel button to return to the declaration homepage.

☒ I confirm the data shown above is correct and wish to submit my electronic VAT declaration to HMRC.

☐ My data is incorrect. I wish to make changes.

If you wish to submit, please remain connected to the system until you receive an acknowledgement that the VAT return has successfully been received.

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Ready Reckoner - Flat Rate Scheme

1. Select your business sector. 2. Calculate your payments. 3. The VAT calculation. 4. The summary.

1. Find your Trade Sector

Please click on the drop down menu below to select your chosen Trade Sector:

Business services that are not listed elsewhere 11.0%
Catering services including restaurants and takeaways 12.0%
Computer and IT consultancy or data processing 13.0%
Computer repair services 11.0%
Dealing in waste or scrap 9.5%
Entertainment or journalism 11.0%
Estate agency or property management services 11.0%
Farming or agriculture that is not listed elsewhere 6.0%
Film, radio, television or video production 10.5%
Financial services 11.5%

If you need to find your Trade Sector [click here](#)

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	A	B	C	D
1	Switch to Flat Rate?			
2	VAT due "normal" scheme (Box 5) £ 3,136.32			
3	Total net value of sales (Box 6) £ 20,528.00			
4	Total gross value of sales (Box 6 x 17.5%) £ 24,120.40			
5				
6	Trade Sector	Percentage	Vat Due Flat Rate Scheme	Saving
7	Computer & IT Consultancy, data processing	13%	£ 3,136.65	£ 0.67
8	Financial Services	11.5%	£ 2,773.85	£ 362.47
9	Computer repair	11%	£ 2,653.24	£ 483.08
10	Photography	9.5%	£ 2,291.44	£ 844.88